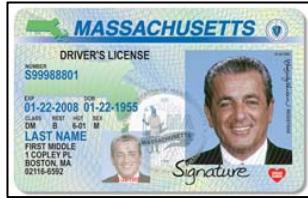
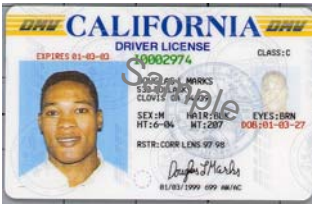


# State of California Department of Motor Vehicles



## Report to the Legislature on the Status of the REAL ID Act

December 15, 2006

Arnold Schwarzenegger  
Governor

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**Report to the  
Legislature  
on the Status  
of the  
REAL ID Act**

December 15, 2006

## Preface

This *Report to the Legislature on the Status of the REAL ID Act* is submitted under Budget Act language contained in the 2006 Budget Act (AB 1801, Chapter 47, Statute 2006) for the appropriation of \$18.8 million to the Department of Motor Vehicles (DMV). This is the first of two legislative reports<sup>1</sup>. Specifically, Item 2740-001-0044 requires DMV to submit, no later than December 15, 2006, to the Joint Legislative Budget Committee and transportation policy committees of the Assembly and Senate, a summary of federal regulations that includes:

1. A description of the federal regulations and requirements and anticipated costs those regulations place on the state and the department.
2. A description and timeline for the necessary steps the department will need to take to implement the federal regulations, including an identification of necessary operational, regulatory and statutory changes the department will seek to comply with federal law.
3. An evaluation of the department's ability to comply with the federal law within the timeline required by the federal regulations.
4. A description of the requirements the federal regulations place on individuals who seek to obtain or renew a driver's license or identification card issued by the department.
5. A description of the privacy and security measures the department will consider utilizing in order to implement the federal regulations.

The United States (US) House of Representatives Bill 1268, also known as the REAL ID Act<sup>2</sup>, was signed into law on May 11, 2005. Implementation date for all states is May 11, 2008. The Act is intended to strengthen the security of driver licenses and identification (DL/ID) cards issued by every state. The Act sets minimum standards for the creation and issuance of the driver license and identification cards that will be acceptable for official federal purposes. Official purposes include, but are not limited to, accessing federal facilities, boarding

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<sup>1</sup> In addition, Item 2740-001-0044 requires DMV to submit a second report, under separate cover, to the Joint Legislative Budget Committee (JLBC). Specifically, of the \$18.8 million appropriated in the 2006 Budget Act, \$9.4 million shall be available for enhancing the DMV's internet capacity and security of the DMV's internet-based programs, and upgrading information technology systems—including security enhancements to protect the privacy and integration of data. The balance of \$9.4 million shall be available for expenditure after January 1, 2007, only after the submittal of a report, and a 30 day review by the JLBC on the actual expenditures of the initial \$9.4 million and the planned expenditures for the remaining \$9.4 million pursuant to the above prescribed activities.

<sup>2</sup> The text of House of Representatives Bill 418, was included as Division B of House of Representatives Bill 1268, the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief, 2005.

federally regulated commercial aircraft, entering nuclear power plants, and any other purposes the Secretary of the United States Department of Homeland Security (DHS) determines. Any DL/ID card issued by a state that does not comply with the requirements would not be acceptable for the purposes listed above. (See Appendix 1 – The REAL ID Act).

While DMV anticipated that the DHS would promulgate the regulations for REAL ID by the Fall of 2006, to date regulations have not been released by DHS into the rulemaking process. Because DHS is not expected to promulgate the REAL ID regulations by December 15, 2006, DMV has instead prepared a *Report to the Legislature on the Status of the REAL ID Act*, which documents its planning and preparation efforts in anticipation of receiving the promulgated regulations.

At the federal level, California has maintained ongoing communication with DHS to address a number of outstanding issues, such as adequate planning and preparation time for REAL ID implementation, federal funding, information technology (IT) solutions and need for timely federal regulations. Most recently, DMV has requested grant funds from DHS to reimburse the \$18.8 million appropriation for the 2006/2007 fiscal year budget for REAL ID related planning and preparation activities.

At the national level, California, along with New York, Massachusetts, and Iowa, is participating in the DHS sponsored Federation of States (Federation), which is analyzing methods that all the states can use to verify individual licensure information while assuring that effective safeguards are in place to protect individual privacy.

Moving forward, California will continue to maintain a proactive role by participating in the California REAL ID Steering Committee, national organizations, the Federation of States, and the federal DHS meetings to represent California's interests. Likewise, DMV will expend \$18.8 million in FY 2006/2007 for planning and preparation activities including IT projects that will enhance the IT infrastructure in anticipation of increased demands to meet the federal REAL ID Act by May 11, 2008.

### **Next Steps**

Following release of the REAL ID regulations by DHS, the Legislature will be notified. DMV will then conduct an impact analysis, consistent with the Budget Act provisions, which includes the cost estimates and the impact to California. The results of that analysis will be submitted to the Joint Legislative Budget Committee and the transportation policy committees of the State Assembly and State Senate.

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## **California's Efforts to Date**

### **REAL ID Act Planning and Preparation Activities**

Implementation of the Act presents significant challenges to all states. California's fundamental policies, processes, and information systems for issuing driver license and identification cards will undergo substantial changes that will impact current and future cardholders.

Upon passage of the Act in May 2005, the Department of Motor Vehicles (DMV), the Business, Transportation and Housing Agency (BTH), and the Administration have taken proactive steps to understand the implications of the REAL ID Act for California and its residents, including a complete analysis of the Act's provisions, in order to prepare for a future implementation of the REAL ID Act requirements.

As an initial step, the DMV received fiscal year (FY) 2006/2007 funding of \$18.8 million to begin the planning, programming, infrastructure development and associated ongoing costs necessary for implementing the REAL ID Act requirements by May 11, 2008. (See Appendix 2 – 2006 Budget Act Language).

This report responds to the provision in the approved 2006 Budget Act to submit to the Joint Legislative Budget Committee and the transportation policy committees of the State Assembly and Senate a summary of the published federal regulations for the implementation of the REAL ID Act. However, as of this date, no federal regulations have been published by the US Department of Homeland Security (DHS). Because DHS is not expected to promulgate the REAL ID regulations by December 15, 2006, DMV has instead prepared a *Report to the Legislature on the Status of the REAL ID Act*, which documents its planning and preparation efforts in anticipation of receiving the promulgated regulations.

### **Statewide and National Activities**

As the federal rule making process continues and potential regulation release date approaches, California is working closely with the REAL ID Act stakeholders to analyze the requirements and determine the future impacts. To that end, California participates in statewide and national efforts. Below are highlights of those activities:

- Established in February 2006, the California REAL ID Steering Committee, chaired by the BTH Agency Secretary Sunne Wright McPeak, was formed in order to identify statewide impacts and areas of responsibility related to the REAL ID Act. The committee is comprised of executive level representatives from the BTH, Health and Human Services Agency, California's Office of Homeland Security (OHS), State Chief Information Officer, California Highway Patrol (CHP), Department of

Justice (DOJ), Department of Finance (DOF), Department of General Services (DGS), Department of Consumer Affairs' Office of Privacy Protection, Department of Health Services (CA DHS), and Department of Motor Vehicles (DMV). This committee is examining the statewide impacts of the REAL ID Act in areas of information technology, privacy and security, law enforcement, policy and legislation, communications, and financing.

- As early as June 2005, California has been proactive in working with the federal DHS on issues related to the REAL ID Act. California has been one of a few states invited to stakeholder meetings with the DHS to share concerns and outstanding issues. California has continued to correspond with DHS regarding the critical issues such as adequate preparation and implementation time frames, federal funding, technology solutions, and the need for timely federal regulations. Most recently, California has requested DHS grant funds, authorized under the Act, to reimburse the DMV appropriation of \$18.8 million for fiscal year 2006/2007.
- Since the enactment of the federal bill in May of 2005, DMV and representatives of the Governor's Office in Washington, D.C. have discussed California's concerns with DHS officials in an attempt to influence the federal rulemaking effort. In May of 2006, DMV relayed specific information to the Director of Law Enforcement Policy, Department of Homeland Security, outlining California's concerns regarding funding, timeframes, and information technology preparedness.
  - **Letter dated October 13, 2006**, George Valverde, Director, DMV, to Michael Chertoff, Secretary of DHS, regarding grant funding.
- California has corresponded regularly with the US Congress and DHS stressing the need for federal grant funds to assist the states with costs associated with the REAL ID Act:
  - **Letter dated June 29, 2005**, Joan M. Borucki, Director, California Department of Motor Vehicles (DMV), to Michael Chertoff, Secretary of US Department of Homeland Security (DHS), highlighting significant issues.
  - **Letters dated July 26, 2005**, Governor Schwarzenegger to US House of Representatives, Chairman for the Committee on Appropriations and Senator Dianne Feinstein, regarding several important provisions critical to California's overall strategy to combat terrorism, which includes the REAL ID Act and the financial impact on California.
  - **Letter dated March 17, 2006**, Governor Schwarzenegger to US House of Representatives, Subcommittee on Homeland Security, Committee on Appropriations, regarding need for assistance with federal grant funds.



- **Letter dated May 17, 2006**, Governor Schwarzenegger to US House of Representatives, Subcommittee on Homeland Security, Committee on Appropriations, identifying California's estimated costs and reiterating the need for federal grant funds.
- **Letters dated August 24, 2006**, Governor Schwarzenegger to US House of Representatives and US Senate, Subcommittees on Homeland Security, and Committees on Appropriations, raising concern that neither version of the FY 2007 appropriations bill for DHS would grant funds to states in implementing the REAL ID Act.
- **Letter dated August 31, 2006**, Sunne Wright McPeak, Secretary, Business Housing and Transportation Agency (BTH) and Matthew R. Bettenhausen, Director, California Office of Homeland Security (OHS) to Michael Chertoff, Secretary of DHS, and reiterating outstanding issues related to funding.

(See Appendices 3A through 3G – Letters from California to the Congress and federal government.)

### **National Estimates for the REAL ID Act**

The California DMV has been proactive on the REAL ID Act, collaborating with numerous states and organizations, such as the National Governors Association (NGA), the National Conference of State Legislatures (NCSL), the American Association of Motor Vehicle Administrators (AAMVA), and the National Association of State Chief Information Officers (NASCIO).

Based on the specific provisions of the Act and those assurances provided by DHS, the estimated cost to California is as much as \$500 million. The major costs are driven by the need for additional facilities, hiring employees, and information technology changes due primarily to re-enrollment of driver license and identification card holders.

In April 2006, California participated in a national survey conducted by AAMVA to identify the national cost associated with the implementation of the REAL ID Act. California's costs are displayed in a side-by-side comparison on page 4 of this report.



## The REAL ID Act Cost to the Nation

The National Governors Association (NGA), the National Conference of State Legislatures (NCSL), and the American Association of Motor Vehicle Administrators (AAMVA) have recently published a joint report that identifies the national cost to implement the REAL ID Act.<sup>1</sup>

Based on this report, the overall national cost is estimated to be over \$11 billion. Of the estimated \$500 million in costs for California, \$439.5 million is for re-enrollment and new verification processes. These costs are consistent with the estimated national costs, on a percentage basis (88%), for these same processes. Additionally, this national report shows that California's 25 million driver license and identification (DL/ID) cardholders represent approximately 10% of the 250 million nationwide in-person DL/ID renewal transactions that will be required by the Act.

States have been able to estimate the costs of this effort based on information in the Act and assurances provided by DHS. However, DHS has stated that the specific information the states have requested to clarify the provisions of the Act will be in the final federal regulations.

<b>NGA/NCSL/AAMVA Survey National Impact Analysis Costs</b>	<b>National Estimate</b>	<b>CA DMV Response</b>
<b>Re-Enrollment</b> DL/ID holders must be re-credentialed within five years. Includes new and existing card holders. Costs include the need for additional staff, facility changes, personnel support, public education/awareness and increased customer contacts.	\$8.48 billion	\$293.0 million
<b>New Verification Processes</b> The REAL ID Act requires the use of 5 national electronic verification (e-verification) systems. None of these systems are currently used on a nationwide basis. Costs include standardizing naming conventions; verifying, capturing and storage of documents and photos.	\$1.42 billion	\$146.5 million
<b>DL/ID Design Requirements</b> The incorporation of security features into DL/ID cards to prevent tampering and counterfeiting.	\$1.11 billion	\$57.0 million
<b>Support Costs</b> Items include security clearances of all employees involved in production and issuance process and mandatory fraudulent document recognition training.	\$4 million	\$3.5 million
<b>Totals</b>	<b><u>\$11.05 billion</u></b>	<b><u>\$500* million</u></b>
* An estimated \$195 - 200 million additional will be required if regulations require polycarbonate materials with laser engraving, not included in California's initial survey response.		

<sup>1</sup> The joint report from The National Governors Association (NGA), the National Conference of State Legislatures (NCSL), and the American Association of Motor Vehicle Administrators (AAMVA) can be accessed at [www.nga.org](http://www.nga.org)

### **National Workgroup Participation**

As part of the REAL ID Act requirements, a data transfer system must be in place, whereby a state can check whether an individual seeking a driver license or identification card (DL/ID) already has a driver license from another state. DHS invited a number of states to explore the best means for developing and implementing this type of system. The invitation by DHS led to the formation of the "Federation of States." California is one of four states participating in the Federation of States (Federation). The other states are New York, Iowa and Massachusetts.

The group is seeking one or more solutions that:

- Support each state maintaining its own driver license/ID files.
- Is quickly scalable to cover all licensees.
- Is capable of implementation by May 2008.
- Fulfills the operational need for high availability.

In addition, the California Department of Health Services is participating in the National Association for Public Health Statistics & Information Systems (NAPHSIS) project to establish a national electronic exchange of birth and death data among all states. It is anticipated that the effort will soon have an assessment as to how this project may have benefit/utility for the REAL ID initiative. DMV will monitor the NAPHSIS project and will incorporate its progress into the REAL ID planning and implementation as appropriate.

## DMV's Planning Efforts

DMV's planning and preparation for the REAL ID Act is in alignment with the 2006 DMV Strategic Plan. The Strategic Plan outlines DMV's Mission, Vision and Core Values, performance-management methodology, and strategies for delivering services to Californians. The Strategic Plan is a commitment to DMV's real priorities - service, safety, and security - and the activities that will achieve the desired outcomes based on those priorities.

Consistent with those priorities, DMV received a \$18.8 million appropriation for fiscal year 2006/2007, for the planning, programming, and infrastructure development necessary to prepare for implementation of the REAL ID Act.

The 2006/2007 year costs are for the following activities:

- Establishing a REAL ID Act Project Organization that utilizes a combination of DMV staff and consultants ensuring compliance with the REAL ID Act. The Project Director's Office is responsible for overall management of the REAL ID Act Organization, which includes all aspects of policy, program and project development and management, for the DMV REAL ID Act requirements. In addition, this office is responsible for communicating with high-level executives from within California, the federal government, national organizations, including giving high-level presentations to stakeholders and providing administrative support to the California REAL ID Steering Committee. *Note: DHS has adopted a similar REAL ID project organization model at the federal level.*
- Providing additional resources to conduct the needed programming and analysis of DMV's legacy systems, including network infrastructure assessment and planning.
- Enhancing a web site infrastructure to move appropriate transactions out of the field offices to the web, thereby freeing up office space and employee time that can be used for the increased customer workload that will occur as a result of REAL ID.
- Planning and analysis of DMV facilities to identify the options for capacity increases to address REAL ID Act workload impacts.

These activities are intended to enhance IT infrastructure systems, streamline service delivery processes, and increase capacity and productivity in DMV field offices. They will also facilitate improved communication with other states, business partners and DMV customers.

## Legislation

In order to comply with the REAL ID Act, many statutory changes will be needed. Currently, legislative proposals are being prepared to identify appropriate statutory changes to comply with the known REAL ID Act requirements, which include but are not limited to:

- Documentation of the DL/ID Card Applicant's Address of Principal Residence.
  - California has no statute in place regarding the requirement related to documenting the address of principal residence.
- Verification of Information or Documents for Validity by Issuing Agency.
  - No existing state law requires that DMV verify documents presented as a part of the DL/ID application process, other than Social Security numbers and legal presence.
- Physical Security of DL/ID Card Manufacturing Locations and Materials.
  - There is no state statute that prescribes the security requirements for the locations where DL/ID cards are produced or the source documents from which DL/ID cards are produced.
- Data Capture, Storage and Access.
  - There is no state statute that requires digital images of source documents be retained in electronic storage in a transferable format for 10 years.
- DL/ID Card Validity Terms.
  - Legislation will be needed to change the DL/ID card period of validity to not exceed eight years. Existing state statutes provide terms of:
    - Five years for DL.
    - Six years for ID card holders.
    - Ten years for senior ID card holders.

Moreover, additional legislation is anticipated for compliance with promulgated federal REAL ID Act regulations. California is working with the US Department of Homeland Security (DHS) and other national organizations to ensure California's concerns are addressed in the pending federal regulations.

## **Security and Privacy**

The REAL ID Act expands the information that California will collect, capture, store and share with other states and government agencies, but does not specify data privacy or security requirements. California is working to ensure the privacy of its residents' personal information. To accomplish this, DMV is utilizing both state and industry experts to ensure that privacy and security issues, including related information technology standards, are identified and appropriately addressed. It is anticipated that as early as January 2007, DMV will have engaged the services of a data security consultant.

## **Information Technology (IT) Preparations**

- **IT Legacy Analysis and Programming**

DMV is conducting programming and analysis of DMV's legacy systems, including network infrastructure assessment and planning. Expansion of the name field and developing an expandable system test infrastructure that will streamline future REAL ID Act development efforts are underway. An expanded name field will benefit the entire DL/ID program by allowing DMV to record each applicant's full name, which will provide a better query and data exchange capability.

## **Web Site Infrastructure Solution**

DMV is in the process of enhancing its web site infrastructure so that DMV's systems have the ability to offer secure electronic communications, enhanced identity management, and the ability to quickly develop web applications. As a result:

- Appropriate transactions can be moved to the Internet, allowing customers to transact business without having to visit the DMV field offices.
- Field office space and employee time are freed up and can be used for the increased customer workload that will occur as a result of REAL ID.
- Existing web infrastructure and processes for business customers are enhanced and more transactions can be completed using the Internet.
- This improvement should result in a reduction in field office staffing needs by 32.5 personnel years (PY).

### **Communications**

A consultant services contract has been initiated to assist DMV in developing a comprehensive marketing and public information plan to promote DMV's Internet services, with the goal to significantly increase Internet use by DMV customers. A longer-term communications strategy will be developed to communicate the policy and operational impacts of the REAL ID Act regulations, once they are published.

To that end, a comprehensive DMV internal/external strategic communications plan will be developed to better prepare stakeholders, employees and the public on the REAL ID Act requirements, and the innovative customer services and technology that will be available to mitigate the operational impacts of the REAL ID Act.

### **Document Imaging**

The REAL ID Act requires that identity verification documents be digitally imaged, captured and stored. DMV's current document images are captured and stored on microfilm. DMV's Document Imaging and Storage Replacement project will replace current aging microfilm cameras and storage with high-speed scanners and a new storage system. This provides the electronic storage and retrieval solution for the images collected for the REAL ID Act beginning May of 2008.

### **DL/ID Card Production and Security**

California has long been recognized as one of the leading states in the area of identity requirements. The key components of our licensing and identification requirements include:

- Verification of Social Security number with the Social Security Administration (SSA).
- Electronic verification of federally-issued documents via the federal Systematic Alien Verification for Entitlements (SAVE) database.
- Stringent document requirements for the establishment of a true full name.
- Innovative DL/ID card security features.

The REAL ID Act is likely to require state-of-the-art security in both areas of DL/ID card issuance and the physical security features required on the cards themselves. In an effort to meet the requirements of the Act, DMV is preparing for a new Driver License and Identification Card contract. The current Driver License and Identification Card contract is due to expire in June of 2008, and DMV has strategically planned for a rollout to meet the effective date of the REAL ID Act.

### **Planning and Analysis of Facilities**

DMV's current statewide facility inventory is insufficient to meet the projected increased workload in DMV's field offices. Moreover, the suspension of California's DL/ID renewal by mail and Internet program from May of 2008 through May of 2013, which is expected to be required by the REAL ID Act, will have a significant impact on the DMV field office facilities.

To meet the demands placed on our current facility infrastructure and prepare for the REAL ID Act, planning efforts have been accelerated including individual field office facility analyses. This is particularly important to address existing critical infrastructure and service capacity deficiencies. DMV is planning to have its infrastructure inventory in place and ready to accommodate the additional 2.5 million visits by customers to DMV field offices each year for five years, May of 2008 to May of 2013, to renew their driver license or identification card. DMV is preparing not only for more customers to visit offices, but they will be there for longer periods of time due to the REAL ID Act. The Act will simply accelerate the time period in which a number of offices will reach the service capacity ceiling. Without the REAL ID Act, DMV still faces these same infrastructure and service capacity issues, requiring a mitigating strategy to be developed now.



## **DMV's Customer Service Improvements**

DMV's portfolio of alternative services is expanding and presents the opportunity for customers to transact business with DMV in new ways. New services offer completion of easier transactions using enhanced IT delivery systems and payment services. These new service options will assist in the reduction of DMV field office visits, and provide convenient and easier transactions for the customer. To meet the REAL ID Act timelines, California DMV field offices will see a statewide increase of approximately 2.5 million customer visits annually until May of 2013. These customers will be driver license and identification (DL/ID) card renewal customers who currently use mail or Internet to renew their DL/ID cards. DMV anticipates that REAL ID Act regulations will require that mail and Internet services to renew DL/ID cards will cease for a five-year period starting May 11, 2008. Therefore, enhanced IT delivery systems and payment services will reduce customer visits for non-DL/ID transactions, ease office customer traffic overall and provide a better service environment for customers and employees alike.

### **Address Change on the Internet**

On August 31, 2006 DMV introduced the ability for customers to change their address on the Internet. As of October 31, 2006, more than 43,000 change of address transactions have been processed online. This new online option saves customers time by permitting them to update this information at their convenience, 24 hours a day/7 days a week. More than 1.7 million address change requests are updated annually for customers. DMV is projecting that by fiscal year 2008/2009, 400,000 customers will change their address on the Internet.

### **Notice of Release of Liability on the Internet**

On August 31, 2006, Californians gained the ability to notify DMV that they have sold their vehicle by logging onto the DMV web page and entering the necessary information. This service releases the seller's liability for that vehicle (e.g., parking tickets, towing, storage, accidents) until the buyer processes the required vehicle transfer documents. This once paper-based process is now available to customers electronically. The completion of a Notice of Transfer and Release of Liability form can be submitted to DMV using the Internet. This service can be utilized by the public as well as business partners (e.g., vehicle dealers, dismantlers). DMV anticipates that 700,000 customers, who would likely have made contact with DMV by mail, telephone or in person, will choose the Internet option this year. Within two years, an estimated 1.8 million customers will use this convenient service.

### **Statewide Self Service Centers**

Customers are helping DMV test new technology in the form of self-service terminals designed to provide 24/7 access for renewing their vehicle registrations. Twelve terminals have been deployed at eleven Southern California DMV field offices and one auto club district office. Customers navigate through a series of simple screens using touch screen capability to renew their registration in minutes. Customers are offered a choice of three payment methods, cash, check, or credit card, with the terminal printing and issuing an updated registration card and license plate tag at the completion of the transaction. DMV is exploring the feasibility of expanding this new technology statewide.

### **Fee Calculator on the Internet**

Californians (both general public and car dealers) can now determine vehicle registrations fees through DMV's Fee Calculator on the Internet. The Fee Calculator on the Internet provides customers accurate fee calculations for:

- Fees due when a new vehicle is purchased (implemented 07/01/05).
- California fees due when registering a vehicle coming in from another state (implemented 07/01/05).
- Vehicle License Fees paid in a specific tax year (implemented 02/15/06).

Since implementation, more than 1 million DMV customers have used the Fee Calculator.

### **Telephone Service Improvement**

The new Telephone Service System project will replace the current telephony equipment in the Telephone Service Centers.

The new telephony system, targeted for implementation in July 2008, will provide:

- A single telephone number for public contact.
- The ability to re-route calls by subject matter.
- The maximum resource utilizations.
- A way to more efficiently address increased workload demands.

## **Next Steps**

The Department of Motor Vehicles (DMV) will continue to maintain a proactive role in the planning and preparation activities surrounding the implementation of the REAL ID Act. Specifically, DMV will:

- Participate in the California REAL ID Steering Committee.
- Participate in national organizations, the Federation of States, and the federal DHS meetings to represent California's interests.
- Expend \$18.8 million in FY 2006/2007 for planning and preparation activities, including IT projects that will enhance the web site infrastructure, in anticipation of increased demands to meet the REAL ID Act by May 11, 2008.
- Introduce REAL ID Act conforming legislation as part of the 2007 legislative session, and will be prepared to refine that legislation following publication of the REAL ID Act regulations.
- Pursue cost recovery of the state's costs incurred directly related to the REAL ID Act in the current fiscal year and beyond.

Once the US Department of Homeland Security (DHS) publishes the REAL ID Act regulations, DMV will conduct a detailed analysis to identify the impact to California. The results of that analysis will be submitted to the Joint Legislative Budget Committee and the transportation policy committees of the State Assembly and State Senate.

Based on available information, the timetable for the federal rulemaking process for the regulations is:

- DHS submits the regulations to the federal Office of Management and Budget (OMB) for review.
- OMB can take up to 90 days to review and comment on the regulations.
- DHS releases the regulations for public comment after OMB's review. The public comment period lasts for 60 days.
- Following the 60-day public comment period, the regulations are finalized and published.

A congressional representative recently announced at a recent national meeting that Congress is expected to hold public hearings on the REAL ID Act regulations following their promulgation by DHS.

## Appendices

1. **The REAL ID Act** - The text of House Resolution 418, was included as Division B of House Resolution 1268, the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief, 2005.
2. **2006 Budget Act Language** - (AB1801, Chapter 47, Statute 2006, Item 2740-001-0044).
3. **Letters** - Sent to the US Congress and the federal government related to the REAL ID Act:
  - a. **Letter dated October 13, 2006**, George Valverde, Director, DMV, to Michael Chertoff, Secretary of DHS, Washington D.C., regarding grant funding.
  - b. **Letter dated June 29, 2005**, Joan M. Borucki, Director, California Department of Motor Vehicles (DMV), to Michael Chertoff, Secretary of US Department of Homeland Security (DHS), highlighting significant issues.
  - c. **Letters dated July 26, 2005**, Governor Schwarzenegger to US House of Representatives, Chairman for the Committee on Appropriations and Senator Dianne Feinstein, regarding several important provisions critical to California's overall strategy to combat terrorism, which includes the REAL ID Act and the financial impact on California.
  - d. **Letter dated March 17, 2006**, Governor Schwarzenegger to US House of Representatives, Subcommittee on Homeland Security, Committee on Appropriations, regarding need for assistance with federal grant funds.
  - e. **Letter dated May 17, 2006**, Governor Schwarzenegger to US House of Representatives, Subcommittee on Homeland Security, Committee on Appropriations, identifying California's estimated costs and reiterating the need for federal grant funds.
  - f. **Letters dated August 24, 2006**, Governor Schwarzenegger to US House of Representatives and US Senate, Subcommittees on Homeland Security, Committees on Appropriations, raising concern that neither version of the FY 2007 bill would grant funds to state in implementing the REAL ID Act.
  - g. **Letter dated August 31, 2006**, Sunne Wright McPeak, Secretary, Business Housing and Transportation Agency (BTH) and Matthew R. Bettenhausen, Director of the California Office of Homeland Security (OHS) to Michael Chertoff, Secretary of DHS, highlighting significant California issues.

## Appendix 1

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# HR 1268 – PUBLIC LAW 109-13 - MAY 11, 2005

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## TITLE II-IMPROVED SECURITY FOR DRIVERS' LICENSES AND PERSONAL IDENTIFICATION CARDS

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### SEC. 201. DEFINITIONS.

In this title, the following definitions apply:

(1) DRIVER'S LICENSE.-The term "driver's license" means a motor vehicle operator's license, as defined in section 30301 of title 49, United States Code.

(2) IDENTIFICATION CARD.-The term "identification card" means a personal identification card, as defined in section 1028(d) of title 18, United States Code, issued by a State.

(3) OFFICIAL PURPOSE.-The term "official purpose" includes but is not limited to accessing Federal facilities, boarding federally regulated commercial aircraft, entering nuclear power plants, and any other purposes that the Secretary shall determine.

(4) SECRETARY.-The term "Secretary" means the Secretary of Homeland Security.

(5) STATE.-The term "State" means a State of the United States, the District of Columbia, Puerto Rico, the Virgin Islands, Guam, American Samoa, the Northern Mariana Islands, the Trust Territory of the Pacific Islands, and any other territory or possession of the United States.

### SEC. 202. MINIMUM DOCUMENT REQUIREMENTS AND ISSUANCE STANDARDS FOR FEDERAL RECOGNITION.

#### (a) Minimum Standards for Federal Use.-

(1) IN GENERAL.-Beginning 3 years after the date of the enactment of this division, a Federal agency may not accept, for any official purpose, a driver's license or identification card issued by a State to any person unless the State is meeting the requirements of this section.

(2) STATE CERTIFICATIONS.-The Secretary shall determine whether a State is meeting the requirements of this section based on certifications made by the State to the Secretary. Such certifications shall be made at such times and in such manner as the Secretary, in consultation with the Secretary of Transportation, may prescribe by regulation.

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# HR 1268 – PUBLIC LAW 109-13 - MAY 11, 2005

## TITLE II-IMPROVED SECURITY FOR DRIVERS' LICENSES AND PERSONAL IDENTIFICATION CARDS

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### (b) Minimum Document Requirements.-

To meet the requirements of this section, a State shall include, at a minimum, the following information and features on each driver's license and identification card issued to a person by the State:

- (1) The person's full legal name.
- (2) The person's date of birth.
- (3) The person's gender.
- (4) The person's driver's license or identification card number.
- (5) A digital photograph of the person.
- (6) The person's address of principal residence.
- (7) The person's signature.
- (8) Physical security features designed to prevent tampering, counterfeiting, or duplication of the document for fraudulent purposes.
- (9) A common machine-readable technology, with defined minimum data elements.

### (c) Minimum Issuance Standards.-

- (1) IN GENERAL.-To meet the requirements of this section, a State shall require, at a minimum, presentation and verification of the following information before issuing a driver's license or identification card to a person:

(A) A photo identity document, except that a non-photo identity document is acceptable if it includes both the person's full legal name and date of birth.

(B) Documentation showing the person's date of birth.



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## TITLE II-IMPROVED SECURITY FOR DRIVERS' LICENSES AND PERSONAL IDENTIFICATION CARDS

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(C) Proof of the person's social security account number or verification that the person is not eligible for a social security account number.

(D) Documentation showing the person's name and address of principal residence.

### (2) SPECIAL REQUIREMENTS.-

(A) IN GENERAL.-To meet the requirements of this section, a State shall comply with the minimum standards of this paragraph.

(B) EVIDENCE OF LAWFUL STATUS.-A State shall require, before issuing a driver's license or identification card to a person, valid documentary evidence that the person-

(i) is a citizen or national of the United States;

(ii) is an alien lawfully admitted for permanent or temporary residence in the United States;

(iii) has conditional permanent resident status in the United States;

(iv) has an approved application for asylum in the United States or has entered into the United States in refugee status;

(v) has a valid, unexpired nonimmigrant visa or nonimmigrant visa status for entry into the United States;

(vi) has a pending application for asylum in the United States;

(vii) has a pending or approved application for temporary protected status in the United States;

(viii) has approved deferred action status;

(ix) has a pending application for adjustment of status to that of an alien lawfully admitted for permanent residence in the United States or conditional permanent resident status in the United States.

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# HR 1268 – PUBLIC LAW 109-13 - MAY 11, 2005

## TITLE II-IMPROVED SECURITY FOR DRIVERS' LICENSES AND PERSONAL IDENTIFICATION CARDS

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### (C) TEMPORARY DRIVERS' LICENSES AND IDENTIFICATION CARDS.-

(i) IN GENERAL.-If a person presents evidence under any of clauses (v) through (ix) of subparagraph (B), the State may only issue a temporary driver's license or temporary identification card to the person.

(ii) EXPIRATION DATE.-A temporary driver's license or temporary identification card issued pursuant to this subparagraph shall be valid only during the period of time of the applicant's authorized stay in the United States or, if there is no definite end to the period of authorized stay, a period of one year.

(iii) DISPLAY OF EXPIRATION DATE.-A temporary driver's license or temporary identification card issued pursuant to this subparagraph shall clearly indicate that it is temporary and shall state the date on which it expires.

(iv) RENEWAL.-A temporary driver's license or temporary identification card issued pursuant to this subparagraph may be renewed only upon presentation of valid documentary evidence that the status by which the applicant qualified for the temporary driver's license or temporary identification card has been extended by the Secretary of Homeland Security.

(3) VERIFICATION OF DOCUMENTS.-To meet the requirements of this section, a State shall implement the following procedures:

(A) Before issuing a driver's license or identification card to a person, the State shall verify, with the issuing agency, the issuance, validity, and completeness of each document required to be presented by the person under paragraph (1) or (2).

(B) The State shall not accept any foreign document, other than an official passport, to satisfy a requirement of paragraph (1) or (2).

(C) Not later than September 11, 2005, the State shall enter into a memorandum of understanding with the Secretary of Homeland Security to routinely utilize the automated system known as Systematic Alien

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# HR 1268 – PUBLIC LAW 109-13 - MAY 11, 2005

## TITLE II-IMPROVED SECURITY FOR DRIVERS' LICENSES AND PERSONAL IDENTIFICATION CARDS

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Verification for Entitlements, as provided for by section 404 of the Illegal Immigration Reform and Immigrant Responsibility Act of 1996 (110 Stat. 3009-664), to verify the legal presence status of a person, other than a United States citizen, applying for a driver's license or identification card.

(d) Other Requirements.- To meet the requirements of this section, a State shall adopt the following practices in the issuance of drivers' licenses and identification cards:

(1) Employ technology to capture digital images of identity source documents so that the images can be retained in electronic storage in a transferable format.

(2) Retain paper copies of source documents for a minimum of 7 years or images of source documents presented for a minimum of 10 years.

(3) Subject each person applying for a driver's license or identification card to mandatory facial image capture.

(4) Establish an effective procedure to confirm or verify a renewing applicant's information.

(5) Confirm with the Social Security Administration a social security account number presented by a person using the full social security account number. In the event that a social security account number is already registered to or associated with another person to which any State has issued a driver's license or identification card, the State shall resolve the discrepancy and take appropriate action.

(6) Refuse to issue a driver's license or identification card to a person holding a driver's license issued by another State without confirmation that the person is terminating or has terminated the driver's license.

(7) Ensure the physical security of locations where drivers' licenses and identification cards are produced and the security of document materials and papers from which drivers' licenses and identification cards are produced.

(8) Subject all persons authorized to manufacture or produce drivers' licenses and identification cards to appropriate security clearance requirements.

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# HR 1268 – PUBLIC LAW 109-13 - MAY 11, 2005

## TITLE II-IMPROVED SECURITY FOR DRIVERS' LICENSES AND PERSONAL IDENTIFICATION CARDS

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(9) Establish fraudulent document recognition training programs for appropriate employees engaged in the issuance of drivers' licenses and identification cards.

(10) Limit the period of validity of all driver's licenses and identification cards that are not temporary to a period that does not exceed 8 years.

(11) In any case in which the State issues a driver's license or identification card that does not satisfy the requirements of this section, ensure that such license or identification card-

(A) clearly states on its face that it may not be accepted by any Federal agency for federal identification or any other official purpose; and

(B) uses a unique design or color indicator to alert Federal agency and other law enforcement personnel that it may not be accepted for any such purpose.

(12) Provide electronic access to all other States to information contained in the motor vehicle database of the State.

(13) Maintain a State motor vehicle database that contains, at a minimum-

(A) all data fields printed on drivers' licenses and identification cards issued by the State; and

(B) motor vehicle drivers' histories, including motor vehicle violations, suspensions, and points on licenses.

### **SEC. 203. TRAFFICKING IN AUTHENTICATION FEATURES FOR USE IN FALSE IDENTIFICATION DOCUMENTS.**

(a) Criminal Penalty.-Section 1028(a)(8) of title 18, United States Code, is amended by striking "false authentication features" and inserting "false or actual authentication features".

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# **HR 1268 – PUBLIC LAW 109-13 - MAY 11, 2005**

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## **TITLE II-IMPROVED SECURITY FOR DRIVERS' LICENSES AND PERSONAL IDENTIFICATION CARDS**

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(b) Use of False Driver's License at Airports.-

(1) IN GENERAL.-The Secretary shall enter, into the appropriate aviation security screening database, appropriate information regarding any person convicted of using a false driver's license at an airport (as such term is defined in section 40102 of title 49, United States Code).

(2) FALSE DEFINED.-In this subsection, the term "false" has the same meaning such term has under section 1028(d) of title 18, United States Code.

### **SEC. 204. GRANTS TO STATES.**

(a) In General.-The Secretary may make grants to a State to assist the State in conforming to the minimum standards set forth in this title.

(b) Authorization of Appropriations.-There are authorized to be appropriated to the Secretary for each of the fiscal years 2005 through 2009 such sums as may be necessary to carry out this title.

### **SEC. 205. AUTHORITY.**

(a) Participation of Secretary of Transportation and States.-All authority to issue regulations, set standards, and issue grants under this title shall be carried out by the Secretary, in consultation with the Secretary of Transportation and the States.

(b) Extensions of Deadlines.-The Secretary may grant to a State an extension of time to meet the requirements of section 202(a)(1) if the State provides adequate justification for noncompliance.

### **SEC. 206. REPEAL.**

Section 7212 of the Intelligence Reform and Terrorism Prevention Act of 2004 (Public Law 108-458) is repealed.

### **SEC. 207. LIMITATION ON STATUTORY CONSTRUCTION.**

Nothing in this title shall be construed to affect the authorities or responsibilities of the Secretary of Transportation or the States under chapter 303 of title 49, United States Code.

## Appendix 2

## 2006 BUDGET ACT (CONTROL LANGUAGE)

### Provisions:

1. (a) Funding provided in Items 2740-001-0042, 2740-001-0044, and 2740-001-0064, in the amounts of \$114,000, \$1,173,000, and \$848,000, respectively, shall be made available for expenditure on the Information Technology Modernization project only if an Independent Verification and Validation (IV&V) contractor is in place before release of a Request for Proposals to review and validate the proposed contract statement of work including requirements, deliverables, and associated pay points, as well as to help develop a Contract Management Plan.  
  
(b) Prior to project initiation, the Department of Motor Vehicles (DMV) will provide the Department of Finance (DOF) with a detailed Project Plan that reflects project phases including estimated cost per phase, phase activities, and scheduled phase duration. Over the life of the project, DMV shall meet with DOF monthly to report project status. DOF shall approve the project's expenditures and progression to each subsequent phase based on its evaluation of the information reported. Regarding the project's status, at the minimum, information reported by DMV to DOF shall include all of the following: (1) planned milestone completion dates versus actual milestone completion dates, (2) planned expenditures by phase versus actual expenditures, (3) description of adherence to scope and reasons for any changes.  
  
(c) No later than December 31 of each year up to and including 2014, DMV shall report to the Joint Legislative Budget Committee and the policy committees on transportation on all of the following concerning the Information Technology Modernization project: (1) planned milestone completion dates versus actual milestone completion dates, (2) planned expenditures by phase versus actual expenditures, (3) description of adherence to scope and reasons for any changes.

### REAL ID

#### Provisions:

2. Of the funds appropriated in this item, \$18,766,000 is appropriated to the Department of Motor Vehicles so that it may commence planning and making necessary investments in its information technology (IT) systems in anticipation of increased demands on the department. This appropriation does not authorize the department to implement the requirements of federal law specified in Public Law 109-13. Any implementation of those requirements shall be achieved pursuant to a subsequent state statute.  
  
(a) Of the funds appropriated in this provision, \$9,383,000 shall be used only for those activities necessary to enhance the department's IT infrastructure in anticipation of increased demands on that infrastructure.



These activities shall be limited to the following:

(1) enhancing the department's Internet capacity to better serve the public, to reduce required visits to department field offices for non-driver's license-related transactions, and to enhance the security of the department's Internet-based programs; and (2) planning for program change and upgrading IT systems, including security enhancements to protect the privacy and integrity of data, to accommodate new requirements on the department.

(b) Of the funds appropriated in this item, \$9,383,000 shall be available for expenditure after January 1, 2007, and used only for the activities described in subdivision (a) of this provision, after the submittal of a report to, and a 30-day review by, the Joint Legislative Budget Committee on the expenditure of funds made available to the department under subdivision (a) of this provision. The report shall provide a detailed description of the expenditures made, the milestones achieved by the department, and the planned expenditures from the funds made available to the department pursuant to this subdivision.

(c) No later than December 15, 2006, the department shall submit to the Joint Legislative Budget Committee and the transportation policy committees of the Assembly and Senate a summary of the published federal regulations for the implementation of the federal REAL ID Act. The summary shall include all of the following:

- (1) a description of the federal regulations and the requirements and anticipated costs those regulations place on the state and the department;
- (2) a description and timeline for the necessary steps the department will need to take to implement the federal regulations, including an identification of necessary operational, regulatory, and statutory changes the department will seek to comply with federal law;
- (3) an evaluation of the department's ability to comply with the federal law within the timeline required by the federal regulations;
- (4) a description of the requirements the federal regulations place on individuals who seek to obtain or renew a driver's license or identification card issued by the department; and
- (5) a description of the privacy and security measures the department will consider utilizing in order to implement the federal regulations.

## **Appendices 3A – 3G**

OFFICE OF THE DIRECTOR  
DEPARTMENT OF MOTOR VEHICLES  
P.O. BOX 932328  
SACRAMENTO, CA 94232-3280



October 13, 2006

Mr. Michael Chertoff, Secretary  
Department of Homeland Security  
U.S. Department of Homeland Security  
Washington, DC 20528

Subject: Request for Grant Funding

Dear Secretary Chertoff:

The California Department of Motor Vehicles (DMV) is formally requesting reimbursement in the amount of \$18.8 million from the U.S. Department of Homeland Security (DHS) Grant Funding Account for expenditures related to the Department's fiscal year 2006/07 REAL ID planning and preparation efforts. This request is being made pursuant to Section 204 of Public Law 109-13, which authorizes the Secretary of DHS to issue grants to a state to assist in conforming to the minimum standards prescribed by REAL ID.

The DMV has initially estimated total costs to the Department for implementing the REAL ID provisions as \$500 million. In recognition and approval of DMV's planning and preparation efforts, the California State Legislature appropriated \$18.8 million to DMV in the 2006/07 fiscal year budget. These funds are for planning activities, information technology programming and infrastructure development necessary to prepare California for the REAL ID federally mandated compliance date of May 2008 and the anticipated federal government regulations. Please see the attached breakdown of the \$18.8 million in costs by expenditure category.

California is aware that \$40 million has been authorized for allocation by the Secretary to states for their costs in implementing REAL ID. To date, \$6 million has been allocated to Kentucky and New Hampshire, leaving a balance of \$34 million. It is California DMV's position that California is eligible for reimbursement from the remaining balance for its planning efforts.

I would like to thank you in advance for your consideration of this matter. If you have any questions, please contact me at (916) 657-6941.

Sincerely,

A handwritten signature in dark ink, appearing to read "George Valverde".

GEORGE VALVERDE  
Director

Attachment

cc: Sunne Wright McPeak, Secretary, Business, Transportation and Housing Agency  
Matthew Bettenhausen, Director, California Office of Homeland Security

California Relay Telephone Service for the deaf or hearing impaired from TDD Phones: 1-800-735-2929; from Voice Phones: 1-800-735-2922

## California DMV Planning and Preparation Costs Fiscal Year 2006/07

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1. Establish an organization that is ultimately responsible for all DMV activities related to REAL ID - \$2.6 million.

The Department has developed a REAL ID Organization to prepare for all aspects of policy, program, and project development in anticipation of the REAL ID regulations and implementation. The REAL ID Project Director interfaces with high-level executives within California, at the federal government level, and at national conferences.

2. Implement known components and impacts of REAL ID - \$1 million.

DMV is preparing for the components of the REAL ID that are known through the bill language, such as the requirement to collect, capture, store, and retrieve an expanded true-full-name for each applicant. DMV is addressing this through expansion of the name field, and developing an expandable system test infrastructure. This will:

- Streamline future REAL ID development efforts.
- Position the Department to address the upcoming proposals and system requirements of the REAL ID.
- Enhance security for existing systems and data.

3. Develop enhanced system and system support capacity to effectively implement future provisions of REAL ID as they are known - \$1.2 million.

The age and complexity of DMV's infrastructure limits its ability to comply with known components of REAL ID. DMV must:

- Enhance its IT systems.
- Increase system capacity.
- Expand its facilities in order to be able to accommodate these known requirements.

The Department is performing ongoing analysis of its facilities and infrastructure to ensure the needs of REAL ID can be met and maintained.

4. Prepare California DMV for Change in Workloads - \$14 million.

As a result of discussions with U.S. Department of Homeland Security officials, DMV is anticipating that all current California residents will be required to come into a DMV facility to reenroll and submit the necessary documentation to comply with REAL ID. This will tax existing offices and field office workloads. DMV is proactively working to:

- Prepare a web site infrastructure to move appropriate transactions out of the field offices to the web, thereby freeing up office space and employee time that can be used for the increased customer workload that will occur as a result of REAL ID.
- Utilize the existing web infrastructure and existing processes for business customers and the Internet connectivity used for completing transactions.
- Position DMV for future connectivity needs, as indicated by federal work group discussions.



STATE OF CALIFORNIA—BUSINESS, TRANSPORTATION AND HOUSING AGENCY

Arnold Schwarzenegger, Governor

## DEPARTMENT OF MOTOR VEHICLES

OFFICE OF THE DIRECTOR  
P.O. BOX 932328  
SACRAMENTO, CA 94232-3280



June 29, 2005

The Honorable Michael Chertoff  
Secretary  
United States Department of Homeland Security  
Washington, DC 20528

Dear Secretary Chertoff:

As you begin the process of developing rules to define the specific criteria for implementation of the REAL ID Act, the California Department of Motor Vehicles would like to provide information regarding some of the major impact areas we see affecting our operations. The driver licensing provisions in HR 1268 passed by Congress and signed by the President on May 11, 2005, will present significant challenges to all states. California currently has over 24 million licensed drivers and identification card holders and the decisions made by the rulemaking panel will have a profound impact on our ability to provide service to our customers. We believe that it is in our mutual best interest to work together in determining the exact manner in which the provisions of the REAL ID Act will be implemented.

As you may know, California has had a Social Security Number requirement tied to its driver license program since 1991. Also, since 1994, the department has required applicants for a driver license or identification card to show evidence that their presence in the United States is authorized under federal law. In these two key areas, California has a wealth of experience and we believe we can be a valuable resource for the rule making body.

Many of the requirements specified in the REAL ID Act will impose significant changes in the way we currently issue driver licenses and identification cards. While we understand and support the national security benefits that will be derived from the Act, we must also consider the impact to the millions of law-abiding citizens who use our services each year. The California Department of Motor Vehicles has implemented a number of recent customer service reforms that have brought the average wait times in our field offices to less than thirty minutes. This is in contrast to wait times averaging one hour and more in November 2003. We are justifiably proud of this accomplishment, and yet we realize the decisions you make in implementing the REAL ID Act are likely to have a profound effect on our operations. We want to make sure that our key areas of concern are brought to your attention so that the goals of the Act are achieved with as little inconvenience as possible to California's twenty-four million licensed drivers and identification card holders.

Secretary Michael Chertoff

Page 2

June 29, 2005

We believe the following components of the Act have the greatest potential impact on our operations:

- California does not now electronically scan nor retain copies of the identity source documents (e.g. birth certificates, immigration documents, etc.) presented by applicants. The Act requires that we scan and maintain retrievable copies for at least ten years if stored electronically. This new requirement means that scanning devices will have to be purchased and placed in every one of our 168 field offices, and the computer hardware and software needed to capture, store and retrieve these copies must be acquired. Budgetary and procurement considerations must be made in order to achieve compliance in this area.
- All states must "verify" the authenticity of all identity source documents with the agency that issued the document. There are thousands of state and local agencies that produce birth documents throughout the nation, and no current electronic database contains this information. We read this requirement to mean that we will have to contact the issuing agency and verify the authenticity of approximately 1.25 million source documents submitted with original driver license and ID card applications each year. Such a requirement will necessitate the hiring of significant additional personnel.
- It is unclear whether the document verification procedure is meant to be implemented on a "day-forward" basis, or whether every licensed driver and identification card holder whose original identity documents were visually reviewed and accepted will be required to resubmit those documents for verification through the issuing agency. It is also unclear whether persons who hold a license or identification card at the time the Act becomes effective will be allowed to retain those documents until they expire or whether all licenses and identification cards will be considered null and void on that date. On this point, we would note that California has had a Social Security verification procedure in place for many years and we believe we have correctly identified our drivers and ID card holders by making sure their identities match their Social Security Administration records. In our view, re-verifying the original identity documents would serve little purpose. However, we will not know to what extent our licensing renewal programs will be affected until the final rules are issued.



- The Act limits the term of a license or ID card to no more than eight years. California's current "driver's license renewal-by-mail program" allows drivers with good records to renew their licenses either by mail or over the Internet for up to two renewal cycles. This means a driver in California with a "clean" driving record can go as long as 15 years before they must appear in-person at a DMV field office to renew the license. California also offers its senior citizens an identification card that is valid for ten years. We will need to know whether the eight-year limit specified in the Act will eliminate these programs and bring literally millions of additional applicants into our offices earlier than required under current law.
- Under the Act, the "residency" of all applicants for driver licenses and ID cards must be verified. We do not currently verify residency, and it is unclear how such verifications would be carried out. Here again, the impact from a staffing and budgetary viewpoint could be substantial depending on how the final rules define this procedure.
- The Act allows your department to approve the design of the license and ID cards and the nature of the security features that may be used. In California's case, our current driver license and ID card production contract expires in June 2006. Although we will likely exercise an extension clause that would add up to two additional years with our current vendor, California laws governing contracting are complex and require many months to complete. If significant new design requirements are imposed under the Act, this could lead to processing delays and significant increases in card production costs.
- There are several provisions in the Act that require all states to communicate with each other to verify status of a driver's license. For example, no state can issue a license to a driver previously licensed in another state until it verifies that the previous license has been cancelled by the issuing state. There is no current database that would facilitate such immediate confirmation, so a significant effort will be involved in developing this capability. States must have adequate time and resources to achieve compliance with these provisions.

The foregoing represents some of the issues that may significantly impact the way in which we issue licenses and ID cards in order to comply with the REAL ID Act. Until the final rules are promulgated, the full impact cannot be fully evaluated.

Secretary Michael Chertoff

Page 4

June 29, 2005

We are also anxious to learn to what extent the rule makers will be addressing the issue of providing a driving only permit as referenced in Section 202(d)(11) of the Act. These provisions make reference to a state's authority to issue a distinctively marked driver license that cannot be used for any identification purposes. This language has prompted the introduction of California Senate Bill 60 (Cedillo) currently under consideration in the State Legislature. We estimate that there are as many as two million undocumented immigrants residing in California, so enactment would have a significant impact on our operations. We believe this legislation is premature in that the federal rule making process may well prescribe limitations on these driving-only permits and we are hesitant to move forward with such a program until the full details of your regulations are known.

Thank you for considering these comments. We are anxious to work with you in addressing the many unresolved issues during the rulemaking process. If I can provide any additional information or clarification regarding these matters, please contact me at your convenience at (916) 657-6941.

Sincerely,

(original signed by Director Borucki)

JOAN M. BORUCKI

Director

cc: Governor Arnold Schwarzenegger

Sunne Wright McPeak, Secretary, Business, Transportation & Housing Agency

Matthew Bettenhausen, Director, California Office of Homeland Security





OFFICE OF THE GOVERNOR

July 26, 2005

The Honorable Jerry Lewis  
Chairman  
Committee on Appropriations  
House of Representatives  
Washington, DC 20515

Dear Mr. Chairman,

As you reconcile the differences between the Senate and House versions of the Homeland Security appropriations bill, I would like to underscore the importance of several provisions critical to California's overall strategy to combat terrorism. Your continued support of these measures will significantly improve our efforts to keep Californians safe.

The foundation of our prevention efforts is sharing information, securing our borders, and providing resources to public safety agencies responsible for enforcing the rule of law and investigating criminal activity. Specifically, the state supports provisions that would: (1) improve information sharing and collaboration; (2) strengthen border security; (3) enhance transportation security; (4) provide grants to states to offset the costs associated with implementing the REAL ID Act; and (5) ensure state and local grant funds are distributed to areas most at risk.

**I. Information Sharing**

Historically, information sharing and analysis has been a responsibility of the federal government. However, local public safety agencies have been called upon to join their federal partners to collaborate in information fusion centers. In California, my Office of Homeland Security has established the State Terrorism Threat Assessment Center and four Regional Terrorism Threat Assessment Centers to identify long-term and emerging threats. The effectiveness of these centers relies on active participation from local police, fire and health departments. Unfortunately, federal homeland security grants may not be used to reimburse local public safety agencies for their personnel costs associated with participating in these information centers. For this reason, Congressional direction should be given to the Department of Homeland Security to allow a portion of the preparedness grants to be used for this purpose.

The Honorable Jerry Lewis  
July 26, 2005  
Page two

## **II. Border Security**

California shares a heavily traveled border with Mexico, which increases our vulnerability as a potential entrance point for terrorists. It is crucial that the federal government take all possible steps to secure our border. Ideally, the federal government should invest in a combination of measures to strengthen security and ensure a smooth flow of legitimate commerce and people along our mutual border.

The Senate-passed bill includes \$55 million to complete construction of the San Diego Sector Fence and fund environmental mitigation projects associated with its completion. Both the House and Senate versions provide funding for additional Border Patrol Agents. In addition to supporting these provisions, I ask that the Department's Science and Technology Directorate be provided with Congressional direction to develop technology to detect underground tunnels.

## **III. Transportation Security**

Protecting the aviation, surface and maritime transportation sectors is a major component of the state's homeland security strategy. Within the Department of Homeland Security, the Transportation Security Administration is responsible for aviation and rail security and the United State Coast Guard is coordinating maritime security activities. My Administration collaborates with these entities to leverage limited resources, but additional resources are needed to address the security gaps identified by vulnerability assessments.

Accordingly, I urge you to work with your fellow conferees to provide \$200 million for the port security grants and \$150 million for the rail and transit security grants. Under these grant programs, costs associated with construction should be allowed to provide additional layers of security.

## **IV. REAL ID Act**

Many of the requirements specified in the REAL ID Act will impose significant changes in the way the California Department of Motor Vehicles issue driver licenses and identification cards. For example, the Act requires states to scan and maintain retrievable copies of the identity source documents (e.g. birth certificates, immigration documents, etc.) presented by applicants and will require the Department of Motor Vehicles to verify the authenticity of all identity source documents with the agency that issued the document.

The Honorable Jerry Lewis  
July 26, 2005  
Page three

These requirements will have a major financial impact on the California Department of Motor Vehicles. For this reason, I urge you to support the House provision that provides \$100 million in grants to states for costs associated with implementing the REAL ID Act.

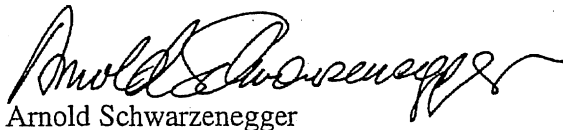
**V. State and Local Assistance Grant Programs**

There has been substantial debate on how domestic preparedness dollars should be allocated to state and local governments. I support your efforts to ensure that the bulk of local homeland security assistance is distributed based on an assessment of risks and vulnerabilities.

In FY 2005, nine areas in California received funding under the Urban Areas Security Initiative (UASI) program administered by the Department of Homeland Security's Office for Domestic Preparedness. The UASI program has fostered better communication, information sharing, collaboration and long term planning among first responder and emergency preparedness agencies in these regions. To continue the progress that has been made on a regional basis in these urban areas, I urge you to preserve the risk-based Urban Area Security Initiative program.

I look forward to working with you on these important homeland security initiatives. Thank you in advance for your attention to this matter.

Sincerely,



Arnold Schwarzenegger





OFFICE OF THE GOVERNOR

July 26, 2005

The Honorable Dianne Feinstein  
United States Senate  
Washington, DC 20510

Dear Senator Feinstein,

As you reconcile the differences between the Senate and House versions of the Homeland Security appropriations bill, I would like to underscore the importance of several provisions critical to California's overall strategy to combat terrorism. Your continued support of these measures will significantly improve our efforts to keep Californians safe.

The foundation of our prevention efforts is sharing information, securing our borders, and providing resources to public safety agencies responsible for enforcing the rule of law and investigating criminal activity. Specifically, the state supports provisions that would: (1) improve information sharing and collaboration; (2) strengthen border security; (3) enhance transportation security; (4) provide grants to states to offset the costs associated with implementing the REAL ID Act; and (5) ensure state and local grant funds are distributed to areas most at risk.

**I. Information Sharing**

Historically, information sharing and analysis has been a responsibility of the federal government. However, local public safety agencies have been called upon to join their federal partners to collaborate in information fusion centers. In California, my Office of Homeland Security has established the State Terrorism Threat Assessment Center and four Regional Terrorism Threat Assessment Centers to identify long-term and emerging threats. The effectiveness of these centers relies on active participation from local police, fire and health departments. Unfortunately, federal homeland security grants may not be used to reimburse local public safety agencies for their personnel costs associated with participating in these information centers. For this reason, Congressional direction should be given to the Department of Homeland Security to allow a portion of the preparedness grants to be used for this purpose.



The Honorable Dianne Feinstein  
July 26, 2005  
Page two

## **II. Border Security**

California shares a heavily traveled border with Mexico, which increases our vulnerability as a potential entrance point for terrorists. It is crucial that the federal government take all possible steps to secure our border. Ideally, the federal government should invest in a combination of measures to strengthen security and ensure a smooth flow of legitimate commerce and people along our mutual border.

The Senate-passed bill includes \$55 million to complete construction of the San Diego Sector Fence and fund environmental mitigation projects associated with its completion. Both the House and Senate versions provide funding for additional Border Patrol Agents. In addition to supporting these provisions, I ask that the Department's Science and Technology Directorate be provided with Congressional direction to develop technology to detect underground tunnels.

## **III. Transportation Security**

Protecting the aviation, surface and maritime transportation sectors is a major component of the state's homeland security strategy. Within the Department of Homeland Security, the Transportation Security Administration is responsible for aviation and rail security and the United State Coast Guard is coordinating maritime security activities. My Administration collaborates with these entities to leverage limited resources, but additional resources are needed to address the security gaps identified by vulnerability assessments.

Accordingly, I urge you to work with your fellow conferees to provide \$200 million for the port security grants and \$150 million for the rail and transit security grants. Under these grant programs, costs associated with construction should be allowed to provide additional layers of security.

## **IV. REAL ID Act**

Many of the requirements specified in the REAL ID Act will impose significant changes in the way the California Department of Motor Vehicles issue driver licenses and identification cards. For example, the Act requires states to scan and maintain retrievable copies of the identity source documents (e.g. birth certificates, immigration documents, etc.) presented by applicants and will require the Department of Motor Vehicles to verify the authenticity of all identity source documents with the agency that issued the document.

The Honorable Dianne Feinstein  
July 26, 2005  
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These requirements will have a major financial impact on the California Department of Motor Vehicles. For this reason, I urge you to support the House provision that provides \$100 million in grants to states for costs associated with implementing the REAL ID Act.

**V. State and Local Assistance Grant Programs**

There has been substantial debate on how domestic preparedness dollars should be allocated to state and local governments. I support your efforts to ensure that the bulk of local homeland security assistance is distributed based on an assessment of risks and vulnerabilities.

In FY 2005, nine areas in California received funding under the Urban Areas Security Initiative (UASI) program administered by the Department of Homeland Security's Office for Domestic Preparedness. The UASI program has fostered better communication, information sharing, collaboration and long term planning among first responder and emergency preparedness agencies in these regions. To continue the progress that has been made on a regional basis in these urban areas, I urge you to preserve the risk-based Urban Area Security Initiative program.

I look forward to working with you on these important homeland security initiatives. Thank you in advance for your attention to this matter.

Sincerely,



Arnold Schwarzenegger





GOVERNOR ARNOLD SCHWARZENEGGER

March 17, 2006

The Honorable Harold Rogers  
Chair, Subcommittee on Homeland Security  
Committee on Appropriations  
House of Representatives  
Washington, DC 20515

The Honorable Martin Sabo  
Ranking Member, Subcommittee on Homeland Security  
Committee on Appropriations  
House of Representatives  
Washington, DC 20515

Dear Chairman Rogers and Mr. Sabo,

The number one responsibility of my Administration is to protect the people of California. As you prepare to consider the Fiscal Year 2007 appropriations bill for the Department of Homeland Security (DHS), I would like to underscore the importance of several provisions critical to California's overall strategy to combat terrorism and to prepare for and respond to emergencies. Your support for these measures will significantly enhance the safety and security of Californians and all Americans.

The foundation of our terrorism prevention efforts in California is built on sharing information, securing our borders, and providing resources to public safety agencies responsible for enforcing the rule of law and investigating criminal activity. I respectfully make the following requests:

Information Sharing: My Office of Homeland Security has established the State Terrorism Threat Assessment Center and four Regional Terrorism Threat Assessment Centers to identify long-term and emerging threats. The effectiveness of these centers relies on active participation from local police, fire and health departments. I urge you to include Congressional direction to continue to allow a portion of homeland security grants to be used to reimburse personnel costs associated with participating in these information centers.

The Honorable Harold Rogers  
The Honorable Martin Sabo  
March 17, 2006  
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Border Security: California shares a heavily traveled border with Mexico, which is vital to our state's trade but also increases our vulnerability as a potential entrance point for terrorists. It is crucial that the federal government take all possible steps, including the deployment of additional Border Patrol agents and technology resources, to secure our border. I support the President's request for \$30 million to fund the continued construction of the Southwest Border Infrastructure System. At the same time, resources and systems must be dedicated to ensuring a smooth flow of legitimate commerce and people along our mutual border. In addition, I ask that Congress reiterate its direction to the Department's Science and Technology Directorate to develop technology to detect underground tunnels.

Transportation Security: The recent attention to port facilities has reminded all of us of the continued need to better protect the security of our transportation sectors. This is a major component of our state's homeland security strategy and my Administration collaborates with our federal partners to leverage limited resources. However, additional federal resources are needed by the state to address the security gaps identified by vulnerability assessments. Accordingly, I urge you to provide at least \$200 million for the port security grants and \$150 million for the rail and transit security grants. Additionally, costs associated with construction should be allowed under these grant programs to provide additional layers of security. I also urge you to include language directing the Transportation Security Administration to fully implement the Transportation Worker Identification Card (TWIC) program.

REAL ID Act: The REAL ID Act mandates significant changes to the way the California Department of Motor Vehicles issues driver licenses and identification cards and will impose high costs on our State. For example, the Act requires states to scan and maintain retrievable copies of the identity source documents (e.g. birth certificates, immigration documents, etc.) presented by applicants and will require states to verify the authenticity of all identity source documents with the agency that issued the document. These requirements will have a major financial impact on California, with costs estimated at as much as \$400 million over the next five years. For this reason, I urge you to provide \$100 million in grants to states for costs associated with implementing the REAL ID Act.

State and Local Assistance Grant Programs: I am concerned that the President's Budget Request would further reduce funding for grants to states to maintain our ongoing homeland security efforts. California is successfully using these grants to build important capabilities including intelligence gathering and analysis, exercises and training, and interoperable communications. Therefore, I urge you to maintain funding for these vital programs at no less than the FY 2006 level. I also ask that you direct Grants and

The Honorable Harold Rogers  
The Honorable Martin Sabo  
March 17, 2006  
Page three

Training to provide funding to states for activities allowed under the Law Enforcement Terrorism Prevention Program (LETPP) including the hiring of intelligence analysts.

There has been substantial debate on how domestic preparedness dollars should be allocated to state and local governments. I support the continuing efforts to ensure that the bulk of local homeland security assistance is distributed based on an assessment of risks and vulnerabilities. However, I would also ask that you require that any risk assessment assign adequate weight to population and population density.

California receives funding under the Urban Areas Security Initiative (UASI) program which has fostered better communication, information sharing, collaboration and long-term planning among first responder and emergency preparedness agencies in these regions. To continue the progress that has been made on a regional basis in these urban areas, I urge you to preserve the risk-based Urban Area Security Initiative program. I further urge that you require that state and local governments be consulted during the process of determining boundaries of UASI regions to administer these programs. I remain concerned that San Diego and Sacramento were not ranked as high risk cities in FY 2006 and ask that you include language directing the Secretary to take steps to insure that the methodology used in FY 2007 adequately considers the threats, vulnerabilities and consequences of these communities.

Regional Structures: This year, DHS created new regional structures for the Urban Areas Security Initiative (UASI) grant program without consultation with the state or its local partners. This complicated the new, competitive grant process that required applications to be prepared under a compressed timeframe. The White House report regarding the lessons learned from Hurricane Katrina recommends new regional DHS offices. While I continue to support further regional integration of local, state, and federal resources, I urge Congress to require that DHS develop future regional plans and structures only after soliciting input from states and local governments.

At the same time that we continue our efforts to better ready our state and local governments for acts of terrorism, I urge that the federal government also assist California in its preparations for catastrophic disasters, whether natural or man-made. I believe that Katrina showed that a commitment is needed at the federal level to expand the nation's preparedness activities to a true, all-hazards approach. Key components of such an approach include:

The Honorable Harold Rogers  
The Honorable Martin Sabo  
March 17, 2006  
Page four

Emergency Management Performance Grants (EMPG): EMPG is a crucial part of maintaining the nation's all-hazards emergency management system. This program is the only source of direct federal funding to state and local governments for planning and preparedness activities associated with natural disasters. Funds provided by EMPG are used for personnel, planning, training, and exercises at both the state and local levels. I urge your support for funding at no less than the amount provided last year and request that you insure that personnel costs remain an eligible expense.

Predisaster Mitigation Grants: FY 2006 grants for this program were limited to five per state. In previous years, California has received as many as 60 grants while many other states received less than five awards. Because our State faces a high level of threats from natural disasters, federal funds are a necessary part of reducing our risks. I support the President's request for increased funds in FY 2007 and request that Congress direct DHS to allow for more than five awards to states, such as California, that face a higher than average level of threats from natural disaster.

Flood Mapping: The State of California currently expends a significant amount of state funds on updating flood maps. Accurate maps are an important part of mitigating the risk associated with floods. I urge you to provide increased funds for grants to states for flood mapping.

I look forward to working with you on these important homeland security and emergency preparedness initiatives. Thank you in advance for your attention to this matter.

Sincerely,



Arnold Schwarzenegger

cc: The Honorable Jerry Lewis  
The Honorable David Obey  
California Congressional Delegation







GOVERNOR ARNOLD SCHWARZENEGGER

May 17, 2006

The Honorable Harold Rogers  
Chairman  
Subcommittee on Homeland Security  
Committee on Appropriations  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Martin Sabo  
Ranking Member  
Subcommittee on Homeland Security  
Committee on Appropriations  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Mr. Chairman and Representative Sabo,

As your Subcommittee continues working on the FY 2007 Homeland Security Appropriations bill, I am writing to share with you California's estimated costs to implement the REAL ID Act and to ask for your help to offset these costs through the federal appropriations process.

All governors are concerned by the estimated costs of this new law on our states. Last year the Congress appropriated \$40 million for this program, but no funds have been released to California or most other states. It is important for all the states and the successful implementation of this law that the Department of Homeland Security (DHS) release these appropriated funds as the Congress intended.

When I wrote to you on March 17<sup>th</sup>, California estimated a cost of up to \$400 million, over five years, to implement the REAL ID Act. Representatives from the California Office of Homeland Security (OHS) and Department of Motor Vehicles (DMV) have been actively participating in the rulemaking process at DHS since last October, attending meetings, giving feedback, and making suggestions to help make the Act workable and achieve its important purposes. Based on information provided by DHS, California now estimates implementing the act will cost taxpayers approximately \$500 million over five years, see enclosure. California taxpayers could face additional costs of \$195 million over five years depending on pending decisions at DHS regarding card features.

The Honorable Harold Rogers and the Honorable Martin Sabo

May 17, 2006

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California has made a concerted effort to maintain its lead in the security of its driver's license, identification card and card issuance systems by implementing security safeguards, including electronic Social Security number verification and electronic immigration document verification. While California's system is recognized as one of the best in the nation and remains ahead of most other states, we believe implementing the REAL ID Act will require a significant expenditure of state funds. Without federal funds, our California taxpayers will be required to pay the cost of this currently unfunded federal mandate.

Given these facts, I must reiterate my request that the Congress appropriate at least \$100 million in funding to implement the REAL ID Act for states in FY 2007. In addition, I am asking for your help to see that DHS releases the funds the Congress already appropriated to the states.

I appreciate your consideration of this new information and California's request for assistance.

Sincerely,



Arnold Schwarzenegger

Enclosure

cc: The Honorable Jerry Lewis

**CALIFORNIA AND THE REAL ID ACT – COST ESTIMATES**  
 CALIFORNIA DEPARTMENT OF MOTOR VEHICLES  
 2006/07 FY THROUGH 2012/13 FY

	Low	High
Personnel	\$129.1	\$129.1
Facilities	32.5	32.5
Equipment	9.5	9.5
Operating Costs	115.2	221.4
<b>TOTAL</b>	<b>286.3</b>	<b>392.5</b>
Additional workload for "pending visas"		107.4
<b>GRAND TOTAL</b>	<b>\$286.3</b>	<b>\$499.9</b>

**Personnel Costs** **\$129.1 million**

Additional personnel (PYs) will be required to carry out the many facets of the REAL ID Act as known today as follows:

- 2006-07 (20 PYs) \$1.8 million  
 16 programmers are essential for expansion for the name field development and testing. An additional 4 PYs are required for the Licensing Operations Division (LOD) for business development, planning, implementation and project management.
- 2007-08 (250 PYs) \$15.6 million  
 The 250 PYs include:
  - 18 programmers for the finalization of the 175 character name field, system changes, testing and other related Information System Division (ISD) functions.
  - 10 PYs will be required for the continued development and project management.
  - 7 PYs for the expected increase in telephone calls from the public.
  - Approximately 184 PYs will be needed in field operations to address the additional processing time for new customers as well as existing customers. Field operation employees will be required to carry out new requirements including imaging documents, processing existing cardholders, verifying residence address, keying and validating new name requirements, re-verifying limited termed cardholders, and processing verifications through new national databases.
  - 22 operational employees will be needed for possible fraud matching,
  - 4 positions related to fraud investigations, and
  - 5 PYs for hiring and training of employees.
- 2008-12 (500 PYs) \$23.9 million/year X 4 years = \$95.6 million  
 Beginning with the first full year of REAL ID, the positions are annualized for field operations and headquarters processing. Most positions are for field operations processing. Processing includes reviewing and digital imaging of documents.
- 2012-13 (375 PYs) \$16.1 million  
 The PYs required in the previous fiscal years (500 PYs) will reduce. The department reaches the end of processing all California citizens for the REAL ID requirements and starts to downscale the operations to a normal, ongoing level of operations.

**Facilities** **\$32.5 million**

All new and renewal DL/ID card applicants will be required to visit a field office with original birth certificate and/or legal presence documents, plus two documents showing residence address. Temporary trailers will be needed to address facility needs through 2013.

**Equipment Costs** **\$9.5 million**

The department estimates an increase of approximately 40% attributable to REAL ID for two current projects - the replacement of telephone equipment and additional document imaging and storage. Telephone equipment would cost \$4.5 million and Document Imaging equipment would cost \$5 million.

**Other Operational Expenses** **\$115 million to \$221 million**

Database costs are estimated based on the fees that currently experience verifying data through other mandated programs.

- National DL/ID Database **\$63.5 million to \$126.9 million**  
It is estimated that the per-record use of the 50 State Cardholder Pointer System costs will be similar to the per-record costs currently incurred when using the Problem Driver Pointer System (PDPS) and Commercial Driver License Information System (CDLIS). Costs are estimated to be \$0.05 -\$0.10 per month/per record.
- National Birth Document Database **\$12.6 million**  
It is assumed that there will be ongoing costs for per-record verification at the undeveloped Birth Record Verification Database as well as a per-state cost for birth verification that is mandated in some states. It is estimated that per-record verification at the Birth Record Verification Database will closely mirror the charges currently incurred through SAVE database verifications, approximately 25 cents per record. The per-state verification costs will vary state to state. Currently some states charge as much as eight dollars per verification.
- Criminal Background Checks **\$1.0 million**  
DHS may require checks to be conducted on all future and current employees
- Consultant Services **\$3.0 million**  
The department has estimated the need for consultant services in order to ensure successful implementation. Services would be provided in the areas of Information Technology (IT), Privacy, Independent Verification and Validation, Independent Project Oversight, Project Management, and Facilities Planning.
- DL/ID Cardstock/security features **\$14.3 million to \$57.1 million**  
Total is based on an estimated increase of \$0.30 to \$1.30 per card X 8.5 million cards per year X 5 years for the "re-certification" period.
- Other Operating Costs **\$20.8 million**

**"Pending Applications"** **\$107.4 million**

Depending on the how the federal government defines 'pending applications' for legal presence, the increase in workload could be as many as 2 million new applicants beginning in May 2008. These new customers may include non-documented immigrants who could potentially apply for a California DL/ID card after submitting an application to the Department of Homeland Security, and therefore fall into the "pending application" category under REAL ID Act. The costs include increased personnel, equipment, etc., to handle the increase in total workload.





## GOVERNOR ARNOLD SCHWARZENEGGER

August 24, 2006

The Honorable Harold Rogers  
 Chairman, Subcommittee on Homeland Security  
 Committee on Appropriations  
 United States House of Representatives  
 Washington, DC 20515

The Honorable Martin Sabo  
 Ranking Member, Subcommittee on Homeland Security  
 Committee on Appropriations  
 United States House of Representatives  
 Washington, DC 20515

Dear Chairman Rogers and Representative Sabo,

As you reconcile the Fiscal Year 2007 appropriations bill for the Department of Homeland Security (DHS), I urge that you make addressing the need to secure our nation's international borders your top priority. It is important that as the threat of terrorism persists we are ever vigilant in our efforts to keep Americans safe. Furthermore, properly securing our borders to reduce the flow of illegal immigration must be a national priority if we are to develop a comprehensive immigration reform effort.

While California is currently partnering with the federal government as part of operation Jump Start through the deployment of more than 1,300 California National Guard troops to the U.S. - Mexico Border, this must only be an interim measure. It is critical that the federal government fulfill its responsibility to secure the border and provide funding for additional Border Patrol agents. As a governor, I understand the difficult choices that must be made when balancing needs and limited resources; however, dedicating the funds necessary to secure our borders must remain a high priority for Congress. Accordingly, I urge conferees to fund 1,500 new Border Patrol agent positions in FY 2007, a crucial step towards achieving the goal of adding 6,000 agents by the end of 2008.

Chairman Rogers  
Representative Sabo  
August 24, 2006  
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I appreciate that both versions of the bill would fund completion of the San Diego Border Infrastructure System and I support including this funding in the final bill. I also support the inclusion of the Border Tunnels and Passage Act as adopted by the Senate that would help combat building of tunnels along our border that could be used to smuggle drugs, illegal aliens, weapons, or terrorists. Finally, I ask that Congress reiterate its direction to DHS to adopt policies that provide clearer direction regarding the prevention, detection and remediation of these tunnels, and develop and deploy technology to detect and deter future underground tunnels.

I also ask that you give full consideration to several provisions critical to California's state strategies to combat terrorism and to prepare for and respond to emergencies:

- Transportation Security: I ask that you provide the highest level of funding contained in each measure for grants to secure seaports, transit systems, and intercity rail. Further, because DHS has not yet finalized the award of funds appropriated last year, I urge you to direct that applications for FY 2007 grant funds be made available 45 days after enactment and require the agency to act promptly on applications.
- REAL ID Act: I am disappointed that neither version of the FY 2007 bill would fund grants to states to implement federal REAL ID Act mandates. I ask you to require DHS to award the grant funds appropriated in FY 2006 and urge that Congress provide \$100 million in grants to states in this bill or in another appropriations bill this year.
- State and Local Assistance Grant Programs: I ask that you retain the greater level of funding contained in the House measure for the State Homeland Security Grant Program, Law Enforcement Terrorism Prevention Program, and the Urban Areas Initiative program and that you provide \$20 million for Citizen Corps as contained in the Senate version of the bill.
- Emergency Management: The recent floods and fires in California show the continuing threats faced by our state and I appreciate your support for expansion of the nation's preparedness activities. I ask that you include language in the final bill directing the Secretary to adopt a true, all-hazards approach to planning and response.

I look forward to working with you on these important homeland security and emergency preparedness initiatives. Your support for these measures will significantly enhance the safety and security of Californians and all Americans. Thank you in advance for your attention to this matter.

Sincerely,

  
Arnold Schwarzenegger

cc: The California Congressional Delegation







GOVERNOR ARNOLD SCHWARZENEGGER

August 24, 2006

The Honorable Judd Gregg  
Chairman, Subcommittee on Homeland Security  
Committee on Appropriations  
United States Senate  
Washington, DC 20510

The Honorable Robert C. Byrd  
Ranking Member, Subcommittee on Homeland Security  
Committee on Appropriations  
United States Senate  
Washington, DC 20510

Dear Chairman Gregg and Senator Byrd,

As you reconcile the Fiscal Year 2007 appropriations bill for the Department of Homeland Security (DHS), I urge that you make addressing the need to secure our nation's international borders your top priority. It is important that as the threat of terrorism persists we are ever vigilant in our efforts to keep Americans safe. Furthermore, properly securing our borders to reduce the flow of illegal immigration must be a national priority if we are to develop a comprehensive immigration reform effort.

While California is currently partnering with the federal government as part of operation Jump Start through the deployment of more than 1,300 California National Guard troops to the U.S. - Mexico Border, this must only be an interim measure. It is critical that the federal government fulfill its responsibility to secure the border and provide funding for additional Border Patrol agents. As a governor, I understand the difficult choices that must be made when balancing needs and limited resources; however, dedicating the funds necessary to secure our borders must remain a high priority for Congress. Accordingly, I urge conferees to fund 1,500 new Border Patrol agent positions in FY 2007, a crucial step towards achieving the goal of adding 6,000 agents by the end of 2008.



Chairman Gregg  
Senator Byrd  
August 24, 2006  
Page two

I appreciate that both versions of the bill would fund completion of the San Diego Border Infrastructure System and I support including this funding in the final bill. I also support the inclusion of the Border Tunnels and Passage Act, as adopted by the Senate, that would help combat building of tunnels along our border that could be used to smuggle drugs, illegal aliens, weapons or terrorists. Finally, I ask that Congress reiterate its direction to DHS to adopt policies that provide clearer direction regarding the prevention, detection and remediation of these tunnels, and develop and deploy technology to detect and deter future underground tunnels.

I also ask that you give full consideration to several provisions that are critical to the State of California's strategies to combat terrorism and prepare for and respond to emergencies:

- Transportation Security: I ask that you provide the highest level of funding contained in each measure for grants to secure seaports, transit systems and intercity rail. Further, because DHS has not yet finalized the award of funds appropriated last year, I urge you to direct that applications for FY 2007 grant funds be made available 45 days after enactment and require the agency to act promptly on applications.
- REAL ID Act: I am disappointed that neither version of the FY 2007 bill would fund grants to states to implement federal REAL ID Act mandates. I ask you to require DHS to award the grant funds appropriated in FY 2006 and urge that Congress provide \$100 million in grants to states in this bill or in another appropriations bill this year.
- State and Local Assistance Grant Programs: I ask that you retain the greater level of funding contained in the House measure for the State Homeland Security Grant Program, Law Enforcement Terrorism Prevention Program and the Urban Areas Initiative program as well as provide \$20 million for Citizen Corps as contained in the Senate version of the bill.
- Emergency Management: The recent floods and fires in California show the continuing threats faced by our state and I appreciate your support for expansion of the nation's preparedness activities. I ask that you include language in the final bill directing the Secretary to adopt a true, all-hazards approach to planning and response.

I look forward to working with you on these important homeland security and emergency preparedness initiatives. Your support for these measures will significantly enhance the safety and security of Californians and all Americans. Thank you in advance for your attention to this matter.

Sincerely,



Arnold Schwarzenegger

cc: The Honorable Dianne Feinstein  
The Honorable Barbara Boxer





OFFICE OF HOMELAND SECURITY

August 31, 2006

The Honorable Michael Chertoff  
Secretary of Homeland Security  
U.S. Department of Homeland Security  
Washington, DC 20528

Dear Secretary Chertoff:

California shares the goal of preventing terrorists from obtaining driver's licenses and identification cards (DL/ID cards). On June 29, 2005, the Director of the California Department of Motor Vehicles (DMV) wrote the enclosed letter to you regarding California's concerns about implementation of the REAL ID Act. We appreciate the collaborative approach taken since that time to work with the states and the U.S. Department of Homeland Security (DHS) during the rulemaking process. However, we continue to have concerns about the implementation of the law and the cost impact on California. That is why we are compelled to write to you as DHS moves toward promulgation of the regulations for the REAL ID Act.

As you know, representatives from the California Office of Homeland Security (OHS) and the Department of Motor Vehicles (DMV) have been actively participating in meetings, giving feedback, and making suggestions to help make the Act workable and achieve its important purposes. Also enclosed is a letter from OHS and DMV that was sent to Jonathan Frenkel of DHS on May 15, 2006. Despite our efforts, however, several critical issues remain outstanding and unresolved, and require the attention of DHS as the final proposed rules are developed.

While we have substantial reservations about some of the components of the REAL ID law, California will continue to work with your department to implement the Act. There are key aspects of the implementation that we urge you to consider as you continue regulation development, work on funding proposals, and communicate with the Congress. We recognize that changes in law and funding decisions ultimately rest with Congress and the President, but your leadership on these issues can and should have substantial impact.

*Lack of Federal Funding*

Federal funding to the states through an appropriation from Congress to support implementation and ongoing program costs is essential to successful implementation.

California is proud of the security of its driver's license and identification cards and we have made a concerted effort to maintain its lead in the security of its card issuance systems by implementing many safeguards, including electronic Social Security number verification, and

electronic immigration document verification. Assuming all necessary national informational systems are in place and fully operational by May 2008, California's estimated costs for DMV operations only could approach \$400 million over the next five years based on currently available information; other California state and local agencies will incur additional costs, not yet identified, pending regulations. As discussed below, DMV's costs could reach close to \$600 million depending on the card security features. Even with federal funding, states, including California, will have difficulty implementing the requirements of the Act by the May 11, 2008, deadline. Without it, the state and our DL/ID card holders will be required to absorb the costs. We ask for your support to secure funding for full and successful implementation of this federal mandate.

Additionally, we are asking for your assistance in providing grants to the states from funds appropriated by Congress for this year. A total of \$40 million was appropriated for federal grants to all states with \$6 million going to two states -- New Hampshire and Kentucky -- for pilots. We are concerned that no procedures are currently in place at DHS for distribution of the remaining \$34 million.

The FY 2006 Homeland Security Appropriations bill requires that DHS prepare and submit a "Spending Plan" to both the Senate and House Appropriations Committees before any grant monies will be provided to states; that plan has not yet been completed. We understand that DHS has not yet received detailed cost information from the states related to projected REAL ID Act implementation costs. However, because it is clear that all states will incur significant costs to implement REAL ID, and that states such as California with a high number of DL/ID card holders will have large cost impacts, we urge DHS to submit the required plans for implementation and proposed uses of the grant monies as soon as possible. While \$34 million is inadequate to allow the states to develop necessary systems, if provided now, this funding could be used by the states to continue preparing for future deployment of systems and to further refine technical and implementation issues for the states and DHS.

#### *Re-credentialing of Current Cardholders from May 2008 to May 2013*

DHS has indicated that the rules may require states to "re-credential" all existing DL/ID card holders over a five-year period starting May 11, 2008. "Re-credentialing" would require an in-person visit to a DMV field office and presentation of required documentation. The adverse impact of this five-year "re-credentialing" requirement would be that California would have to suspend its renewal by mail and renewal by Internet programs from May 2008 to May 2013, adding 2.5 million renewing applicants to California field offices per year for five years. We ask that DHS rules allow for the use of Internet and mail renewals with appropriate safeguards.

Impacts on DMV include hiring and training additional staff, addressing the logistical and facility needs to accommodate the additional workload, and addressing the increased telephone calls expected. The impact to Californians is staggering; all applicants must present specific identity and proof of residence documents in person. Many applicants will need to take some action, such as obtaining birth records, modifying court records to change name or other information, proving residence address, or resolving problems with other agencies, such as Social Security Administration. This will cost the individuals time and money.

### *Lack of National Verification Database Systems*

As you know, the four national verification database systems required by REAL ID either do not currently exist or need significant enhancement. Two of the systems, the Systematic Alien Verification for Entitlements (SAVE) system and the Social Security Administration Online Verification system, are already used by many states but will require modifications prior to the implementation of the Act. The remaining two databases, the Birth Record Verification Database and the 50 State Cardholder Pointer System, will require full development since neither system currently exists.

In order for these national verification database systems to be successful, the federal government will be required to:

1. Take ownership for the development and ongoing operation of the systems.
2. Provide funding for the development and ongoing operation of the systems.
3. Ensure adequate information security and privacy protections to safeguard the personal data of Americans from identity thieves and terrorists.
4. Extend the deadline for full implementation to reduce risk, distribute costs, and help ensure the success of the effort.

DHS has organized a federation of states to recommend a national cardholder pointer system. California is actively involved in this process as one of the founding members. It is critical that the federal government maintain momentum and support of this project to ensure its success, including oversight as well as initial and ongoing funding. In order for this system to be effective, all REAL ID compliant states must agree to participate in the program. Without leadership and financial support by the federal government, it will be highly unlikely for such a system to be established successfully.

### *Information Security Safeguards*

The Act's mandate for electronic data collection and storage coupled with the sharing of state driver's license data among the states and their agencies increases the risk of identity theft. The U.S. Public Policy Committee of the Association for Computing Machinery (USACM) outlined their concerns about the REAL ID Act's impact on information security, identity theft, and personal privacy in a letter on April 4, 2005 to Senator Lamar Alexander. California shares these concerns. Given the size of these databases and the number of users, information security and privacy and creation of fraudulent identification documents by terrorists and criminals are of paramount concern. Substantial private sector experience demonstrates that the risks escalate when unrelated organizations share data extensively. The overall security of any system is determined by its weakest link. Linked databases are more problematic because all data could be exposed from any single insecure point in any of the databases or along the communications pathways used to share data.

The Act is silent regarding such critical issues as the principles and methods behind the creation, implementation, and administration of these databases and information-sharing arrangements. It contains no guidance regarding how the shared databases should be secured or how the personal information contained within them should be handled. Further, it does not specify how to hold

the administrators and users of these databases accountable for proper use and maintenance. To date, DHS has not addressed these issues.

Privacy and confidentiality laws vary from state to state. Where these laws are stricter than allowable to comply with the information exchange and verification requirements of the REAL ID Act, states, including California, must carefully contemplate the consequences of changing its privacy laws. DHS must be mindful of these privacy and confidentiality laws as it develops the regulations.

#### *Mandated Card Security Features*

California, like many other states, is concerned about the cost impact of a federally mandated card design. DHS rules should provide states with the maximum flexibility to utilize cards that meet accepted standards for security features and card materials. It is common knowledge that the most effective security features are designed to defend against a set of defined counterfeiting and fraud threats. Mandating features across the board with little or no flexibility limits variability and constrains states in their choices of security elements and technologies. In addition, there is an inherent risk in requiring all states to utilize the same security features and card construction material, as it enables counterfeiters to concentrate their efforts on a single set of features, which, once successfully duplicated, has nationwide impact.

In recent discussions, DHS has indicated that the rules may mandate certain card security features and materials, specifically the base card material and engraving process. If adopted, these potential standards would impose a great burden on both the states and the current vendors providing DL/ID card contracts to states. The specific material, a polycarbonate card, is new to the DMV's in the United States. In fact, no state currently uses it for their DL/ID card. Vendors would be required to replace current equipment at manufacturing plants, leading to concerns with costs and the ability to complete these changes by May 11, 2008. Additionally, laser engraving would present even more difficulty in implementation and cost for the personalized technology upgrades needed to perform the laser engraving. Any increased costs to vendors will translate to increased costs to California.

Preliminary estimates from vendors indicate that a card compliant with the potential card standard discussed by DHS indicate an increase of \$3 to \$6 dollars per card above the cost previously estimated by California for a REAL ID compliant card. Over the first five years, based on 8.5 million cards issued per year, California estimates DHS's proposed requirements could increase card costs by up to \$250 million. We urge you to work with the states to adopt rules that provide adequate flexibility related to card design to maximize the security of DL/ID cards and minimize costs.

#### *Implementation Timeframes*

There is simply not enough time to fully implement an effective, secure, reliable, state-administered, national drivers license and identification card system capable of verifying identity, residence, and legal presence, as envisioned by the Act prior to May 11, 2008. At the current time, final rules may not be established by the end of 2006. This will leave states with

less than 18 months to navigate their own governmental and legislative processes to obtain enabling legislation, and then complete procurement and implementation of systems required by the Act. As outlined above, the Act requires the development of a national birth record verification system and connectivity between all national motor vehicle database systems. These are both monumental efforts from an information technology, privacy and security, and logistical perspective. Additionally, there is some concern about the ability of the current federal alien verification and social security systems to handle the increased workload associated with millions of queries from the states. Given these challenges, it is highly unlikely that the required database systems will be fully operational by May 11, 2008.

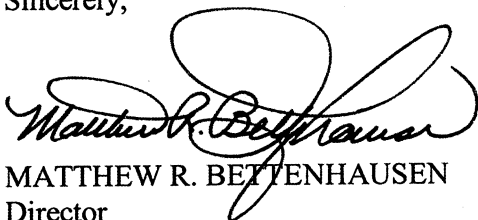
*A Phased, Prioritized Approach*

The looming specter of another terrorist attack necessitates that we do what we can now to improve the issuance process for driver's licenses and identification cards. This requires an approach to phase in implementation of the Act. A phased approach to certifying state's compliance efforts would allow DHS to insure all states meet a basic national standard for DL/ID cards by May 11, 2008, and to provide additional layers of security as they become available.

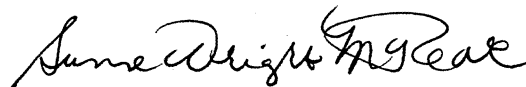
It is imperative that we seriously consider a phased, prioritized approach that can pay immediate dividends in the fight against terrorism and allow for a more thoughtful and well-planned implementation of the more challenging components of the Act.

We are certain that a careful, flexible, deliberate, and coordinated approach that is workable for the states will allow for an effective implementation of REAL ID. We look forward to continuing to work cooperatively with you and DHS staff to develop reasonable regulations and a workable implementation plan. Please do not hesitate to contact us if there is any need for additional information or clarification.

Sincerely,



MATTHEW R. BETTENHAUSEN  
Director  
California Office of Homeland Security



SUNNE WRIGHT MCPKAK  
Secretary  
Business, Transportation and  
Housing Agency

cc: The California Congressional Delegation  
George Valverde, Director, California Department of Motor Vehicles